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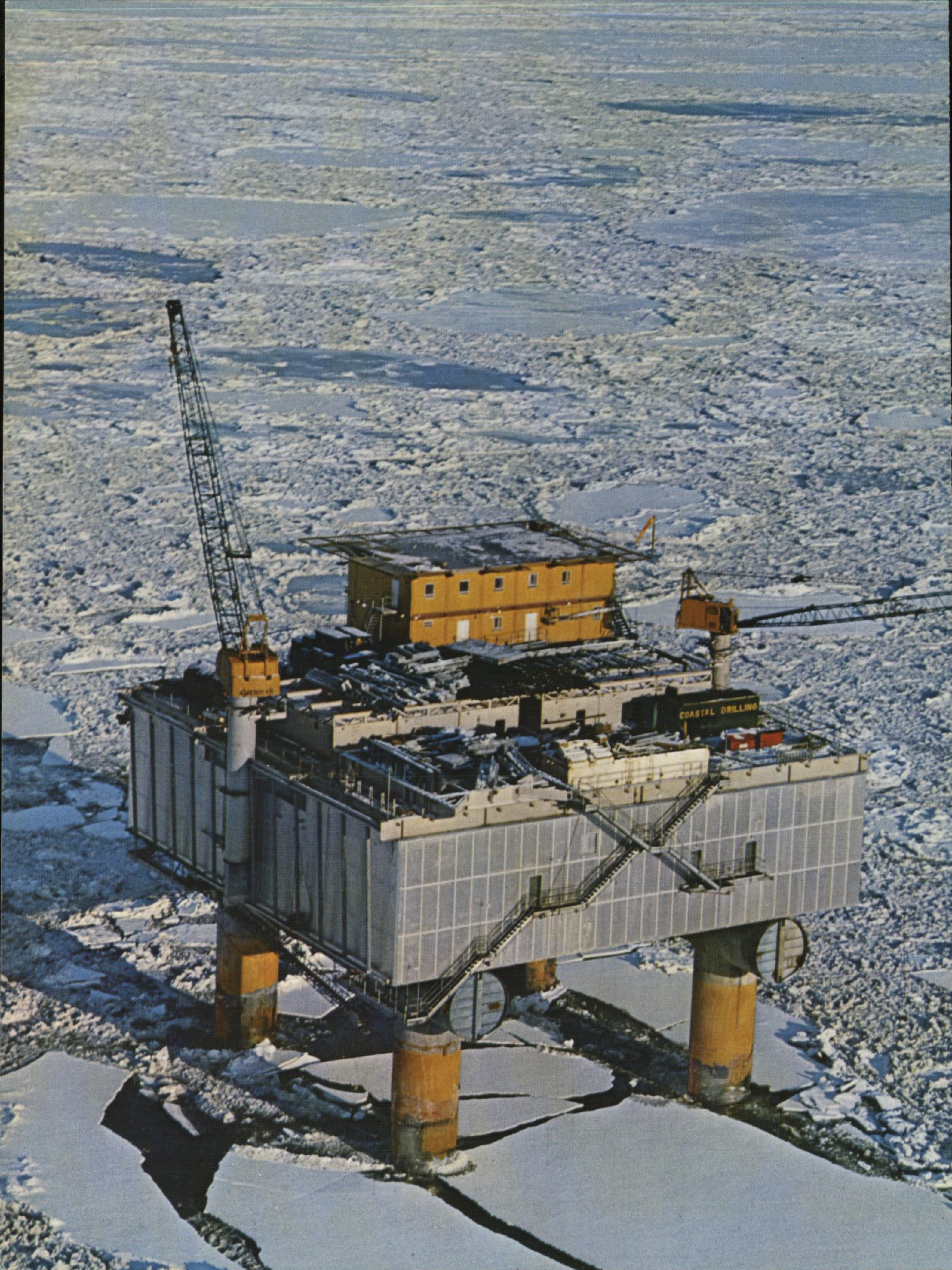
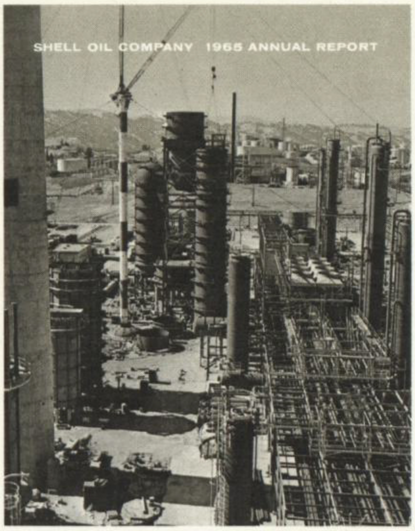
SHELL OIL COMPANY 1965 ANNUAL REPORT


COASTAL DRILLING



The Martinez, California, Refinery is being virtually rebuilt in a major modernization and expansion program.

SHELL OIL COMPANY 1965 ANNUAL REPORT

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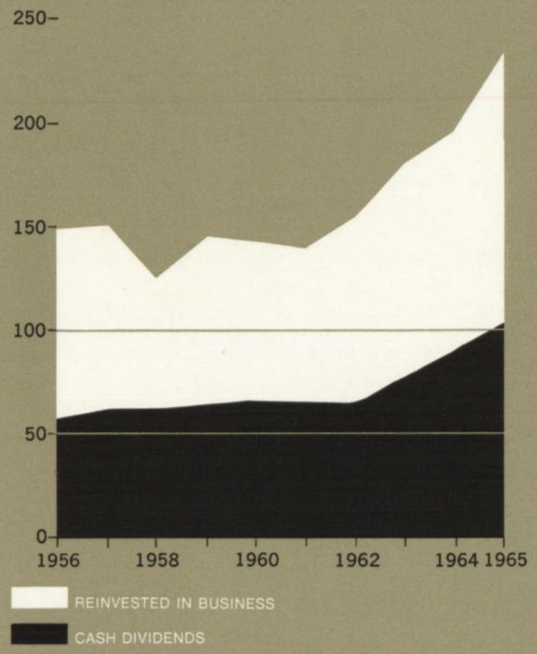
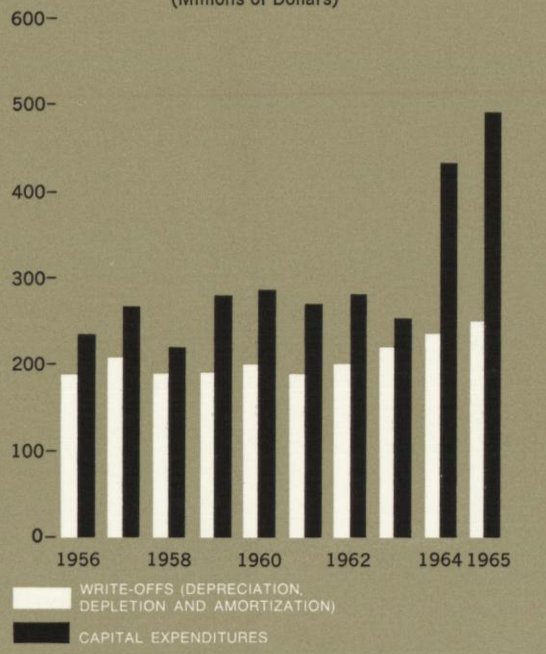
The Annual Meeting

of shareholders will be held at the Americana of New York (Georgian Ballroom A), 52nd to 53rd Streets East of Seventh Avenue, New York, N.Y., at 11 A.M., Thursday, April 28, 1966. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders.

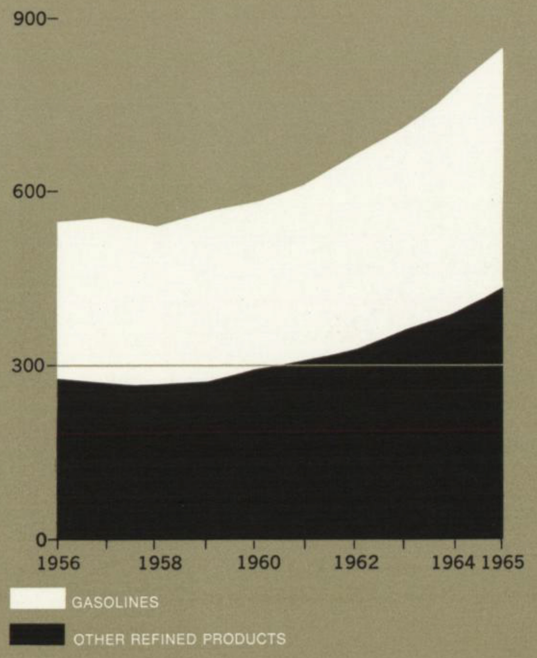
At Cook Inlet, Alaska, a permanent platform withstanding tides, storms, and ice permits year-round drilling and production.



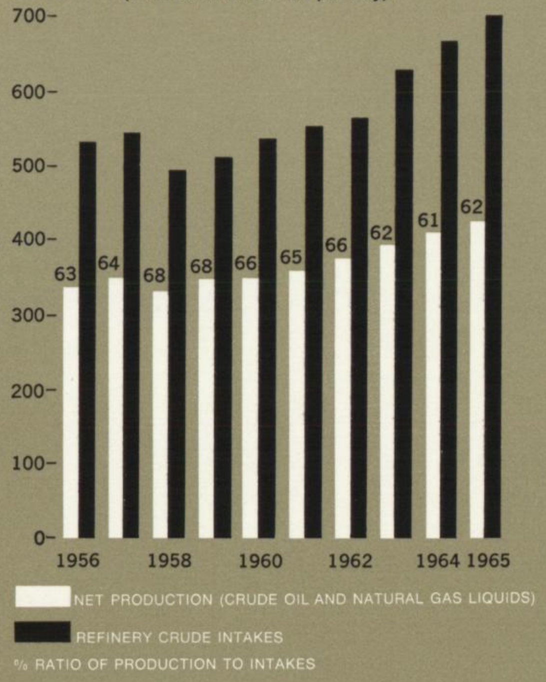
NET INCOME
(Millions of Dollars)



CAPITAL EXPENDITURES AND WRITE-OFFS
(Millions of Dollars)



REFINED PRODUCTS SALES
(Thousands of Barrels per Day)



NET PRODUCTION AND REFINERY CRUDE INTAKES
(Thousands of Barrels per Day)

highlights of the year

FINANCIAL	1965	1964
Revenues	$3,104,918,000	$2,834,574,000
Net Income	$ 234,031,000	$ 198,190,000
Net Income per Share	$3.85	$3.27
Cash Dividends	$ 103,194,000	$ 90,798,000
Cash Dividends per Share	$1.70	$1.50
Capital Expenditures	$ 488,840,000	$ 431,951,000
Cash and Short Term Securities	$ 215,873,000	$ 126,508,000
Working Capital	$ 412,283,000	$ 352,946,000
Long Term Debt	$ 415,535,000	$ 267,424,000

OPERATING	1965	1964
Net Wells Drilled	678	1,009
Gross Crude Oil and Natural Gas Liquids Produced—Daily Average Barrels	493,000	466,000
Net Crude Oil and Natural Gas Liquids Produced—Daily Average Barrels	431,000	407,000
Refinery Crude Intakes—Daily Average Barrels	700,000	670,000
Refined Products Sold—Daily Average Barrels	846,000	780,000
Number of Employees at End of Year	34,548	33,578
Salaries, Wages and Employee Benefits	$ 360,393,000	$ 342,530,000

to the shareholders:

We submit herewith a review of the operations of Shell Oil Company and its subsidiaries for 1965, together with the related financial statements.

Earnings reached a new high for the fourth consecutive year, and records were again set in production of crude oil and natural gas, refinery intakes, and sales of petroleum and chemical products.

Net income for 1965 of $234.0 million, or $3.85 a share, was 18% above the 1964 earnings of $198.2 million, or $3.27 a share. Dividends, increased for the third consecutive year, totaled $1.70 a share in 1965. They were $1.50 a share in 1964.

The results were achieved in a year that was good for the oil industry and for business in general. American industry, notably automobile manufacturing, operated at a high level. Weather was colder than normal. Refined product prices were better than they had been for some time.

Such favorable economic currents aid progress, but they alone do not account for the character of the Company's performance. In a period when all major companies have been working to improve their operations, Shell continues to show greater improvement than the industry. The Company's earnings, expressed as a rate of return on shareholders' investment, increased from 13.2% in 1964 to 14.5% in 1965, significantly better than the industry average. An important source of the Company's strength through the years has been its close attention to opportunities for investment in the business.

Capital expenditures in 1965 amounted to $488.8 million, $56.9 million more than in 1964. The investment provided balanced support for all the Company's activities, and large sums were allocated to such operations as drilling and production and the manufacture of petroleum and chemical products.

In exploration and production, nearly 30% of the capital expenditures in 1965 went for offshore drilling. The results of exploration and production activity, onshore and offshore, were better in 1965 than in several years past, and once again reserves have been increased despite record production.

In refining, an extensive program of capital expenditures has led to major improvements now well advanced at two refineries, and it is being continued at a third. The outlays are designed to increase crude capacity, upgrade products, and lower unit costs.

In marketing, capital expendi-

March 16, 1966

tures for service station development have been substantially increased in the period from 1960 to 1965. Most of the money has gone into building and improving outlets in established markets. Part of the increased expenditure has been required by generally higher costs of construction. The average cost of a complete service station has risen about 20% since 1960, and it is expected to rise further. However, Shell's sales of automotive gasoline increased about 7% in 1965, while the industry's rose about 4%. The number of gallons the Company has sold per dollar it has invested in new service stations has increased about 16% since 1960.

Shell Chemical Company also increased its level of capital expenditures in 1965. Its activities, which have been characterized by considerable pioneering during the course of its 35-year history, will be still further broadened by the construction, now in progress, of manufacturing facilities for new lines of chemical products.

As to the future, Shell's plans for continued substantial capital investment reflect confidence not only in the Company's programs but also in business generally.

To provide funds for general corporate purposes including capital investment, the Company, which borrowed $150 million in 1965, arranged early in 1966 for the private placement with a group of institutional investors of $150 million of 5% Debentures due March 15, 1991.

It is believed that the economy of the nation will continue to expand in 1966, because of higher outlays for productive facilities, accelerated defense buying, and another favorable year for the automobile industry. Total domestic demand for petroleum is expected to rise 2½% to 3%, and automotive gasoline is expected to rise 3% or a little more.

It is not expected that the petroleum and chemical industries will show percentage gains in earnings as great as in 1965. Nevertheless, it would appear reasonable to expect the Company to show improvement in 1966 comparing favorably with that of the domestic industry.

During recent years, a number of questions affecting industry generally have received increasing attention. These questions include the need to protect the purity of air and water and to insure the public's safety in the use of chemicals designed to improve the food supply. Shell has always taken most seriously its responsibility as a corporate citizen in these areas, and it has continued to participate with industry groups and government agencies in efforts designed to insure the public's benefit from technological progress.

We note with sadness the death on February 16, 1965 of J. C. van Eck, who was a founder in 1912 of what is now Shell Oil Company and who directed the Company's activities until 1936, when he became a Managing Director of the Royal Dutch/Shell Group. He had been retired since 1947.

Always mindful that the Company draws its strength from the depth and diversity of its peoples' skills and from the tenacity and energy with which they use them, Shell works hard to conduct itself so that Company employees, as well as Shell dealers and jobbers, can give their best. In 1965, a record year in both the magnitude of expansion programs and the results of current activities, they met the challenges arising from the Company's plans and operations in a manner justifying their sense of accomplishment and confidence in the future. We thank them for their excellent work. We wish also to thank our many customers, old and new, and our shareholders for the privilege of serving them. We hope to merit their continuing support.

FOR THE BOARD OF DIRECTORS

Monroe E. Spaght

MONROE E. SPAGHT
Chairman

R. C. McCURDY
President

New facilities under construction at Sheridan, Texas, will increase the Company's capacity for processing natural gas.

exploration and production

Continuing the upward trend enjoyed for a number of years, Shell's exploration and production effort, supported by substantial capital investment, again realized successful results.

Liquid hydrocarbons produced in 1965 averaged 431,000 net barrels per day, 5.9% more than the previous high reached in 1964. Gas production of 1,626 million net cubic feet per day, also a new high, was 4.3% above that for 1964. The additions to proved reserves, developed and undeveloped, more than offset production.

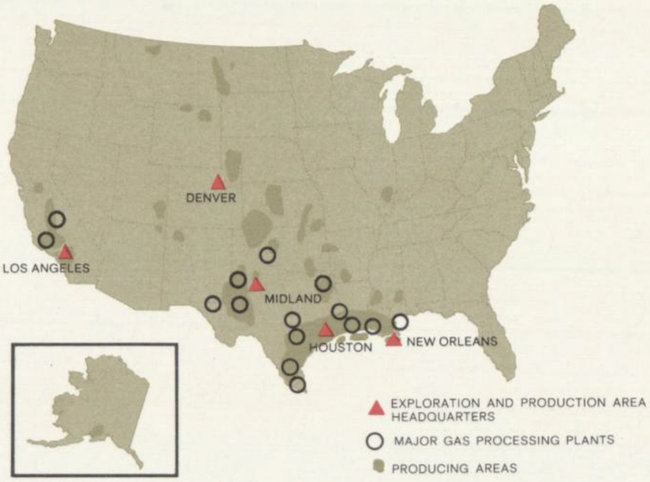
Intensive geophysical activity on land and sea led to many attractive new prospects, and wildcat drilling resulted in significant discoveries onshore and offshore. What appears to be the most important find in the Rocky Mountains in the past ten years, an oil discovery just below 15,000 feet on the Reno prospect in the Powder River Basin of northeast Wyoming, has led to successful development drilling and an important increase in production and reserves. This is virtually a full-interest venture. To attain maximum production rates, the first two completions in this field were equipped with hydraulic pumping equipment. One well, with a pump set at 14,880 feet, is the world's deepest pumping well. Another oil discovery, a joint venture, was developed in the Bay Springs area of Mississippi.

A deep gas discovery showing promise of becoming a major field was made in a full-interest venture on the JM Ranch in Crockett County, West Texas, and three other gas discoveries in which Shell participated were made in the state.

The Company pressed on vigorously with its offshore operations despite a short, violent interruption due to Hurricane Betsy. This storm, one of the worst recorded in the Gulf of Mexico, tore through the heart of the offshore producing area. A new platform was struck by a large object driven by the hurricane, but fortunately, drilling had not begun, and no drilling equipment was lost. All told, however, the hurricane caused substantial damage to Company installations.

In waters off Texas, Shell acquired 177,000 acres of state leases for $13 million and drilled three gas discoveries; further evaluation is under way. Development of the large Buccaneer gas field is proceeding rapidly, and the Blue Dolphin Pipe Line Company, a wholly owned subsidiary, has built a 43-mile-long pipeline to move as much as 175 million cubic feet of gas per day to a chemical company's plant at Freeport, Texas. Sale of gas commenced December 31, 1965 with completion of separation facilities on shore. This gas is the first to be sold from Federal leases in the Texas offshore area. A plant designed to increase revenue by recovering light hydrocarbons from the gas is scheduled to be completed in 1966.

Increasing the pace of operations in the Louisiana offshore area, the Company installed eleven platforms; in addition, four more platforms were on order at the year end. One of the larger offshore fields, West Delta Block 105, went on production with the completion of the Marlin


DENVER
LOS ANGELES
MIDLAND
HOUSTON
NEW ORLEANS
▲ EXPLORATION AND PRODUCTION AREA HEADQUARTERS
○ MAJOR GAS PROCESSING PLANTS
● PRODUCING AREAS

review of 1965 operations

extension of the Delta Pipe Line System, moving oil to the Shell refinery at Norco, Louisiana. Exploration and development of other holdings in the area are continuing rapidly.

The Red Snapper Pipe Line Company, incorporated early in 1965 (23% Shell-owned), filed an application on December 1, 1965 with the Federal Power Commission for a certificate of public convenience and necessity to build a pipeline system for gathering gas and liquids from fields 30 to 100 miles off the Louisiana coast and delivering them to two terminals on shore.

On the Pacific Coast, Shell increased its reserves and production by buying a 20% share of an operating company's interest in a submerged tract in the Long Beach Unit, an extension of the East Wilmington field. Shell's share of the ultimate production is expected to be about 160 million gross barrels.

At Cook Inlet, Alaska, ice-choked in winter, Shell completed three wells from its permanent platform and built a pipeline that began moving oil to shore before the year end. Facilities on the platform permit operations to be continued through the winter.

Improved recovery techniques also contributed measurably in 1965 as Shell continued to be a leader in secondary recovery operations. Water flood projects were expanded as well as thermal recovery, which is making a significant contribution to the Company's Pacific Coast production and is increasing in importance in other areas.

Expansion of facilities for recovering liquid hydrocarbons from natural gas continued in 1965. Five new plants and four major plant expansions were completed in Louisiana, Texas, New Mexico, and California. These projects made possible an 11% increase in gas liquids production for the year. Construction was started on two new plants in Texas, the one at Buccaneer and another which will consolidate operations at the Sheridan and Provident City, Texas, plants for improved efficiencies and increased recoveries. The two new facilities will increase the daily production of gas liquids by an estimated additional 20% with a large part of the increased production being ethane to supply the fast-growing market for this petrochemical feed stock.

The Blue Water II rig drilled into the bottom of the sea off the Pacific Coast.

REVIEW OF DRILLING

	1965	1964
Exploratory Wells		
Completed	139	194
Successful	35	52
Development Wells		
Completed	539	815
Successful	413	732

Units comprising a new, integrated refinery are being built in the rectangular block (bottom half of photo) at Martinez.

manufacturing

Refinery intakes set a new record for the fifth consecutive year. Throughput in 1965 averaged 700,000 barrels per day, 4.5% more than in 1964. All facilities ran at virtually full capacity.

The program of refinery modernization and expansion progressed on schedule. This work, reflecting a steadily growing demand for Shell products, is coordinated with the development of the Company's marketing activities.

The major expansion of the Norco, Louisiana, and Martinez, California, refineries is well advanced and is scheduled for completion in 1966. At Norco, a 640-ton-per-day delayed coking unit went on stream. Its output, taken principally by an aluminum company's calcining plant next to the refinery, represents a further upgrading of the refinery's product. Construction was begun at Norco on ethylene and alkylation plants and a catalytic reformer. As part of the refinery-wide modernization at Martinez, the Company built a new wharf equipped with efficient loading facilities and designed to handle large tankers.

Planning and initial work have begun at the Wood River, Illinois, Refinery on a program of expansion and modernization designed to increase crude capacity, lower costs, and improve the quality of products. Completion is scheduled for 1968.

Recent additions at the refinery include a 20% expansion of lubricating oil manufacturing facilities and a unit making premium quality turbine fuel suitable for supersonic aircraft. Modernization and expansion of the alkylation plant and construction of a new catalytic feed hydrotreater are scheduled for completion early in 1966.

Significant projects were also started or completed at other locations. A distillate hydrotreater was completed at the Wilmington, California, Refinery. Installation of a power generation unit driven by a gas turbine was started at the Houston, Texas, Refinery, and sulfolane extraction units for aromatics and mineral spirits were completed there.

Research was continued in order to improve products and develop more efficient processes. Two projects nearing commercial use are a hydrocracking process permitting more efficient conversion of low-value products to motor gasoline and a method of applying computer control to major refining units.

Shell continued to implement its policy of protecting the purity of air and water. Facilities for further improving effluent gases and waste water were begun at the Martinez and Wilmington refineries. The Company's personnel have participated as members of industry groups and advisers to government bodies concerned with conservation, and several Shell refineries have been mentioned in the press and on television as setting examples of good industrial practice.

transportation

Investments in transportation and terminal facilities during 1965 will enable the Company to handle larger volumes of petroleum and to reduce unit costs.

Two major pipeline projects were substantially completed. The first is the wholly owned 85-mile-long Bay Pipe Line for moving products from the Martinez Refinery to terminals at South San Francisco, California, and the International Airport. A spur line runs from Oakland to San Jose, California. The Bay Pipe Line eliminates the need for four high-cost terminals.

The second is the Olympic Pipe Line, which carries products from refineries at Anacortes and Ferndale, Washington, to terminals at Seattle, Tacoma, and Olympia, Washington, and Portland, Oregon. This line, jointly owned with two other companies, is 312 miles long.

Shell added 500,000 barrels of tankage for finished products during 1965. New terminals were completed on the Plantation Pipe Line at Roanoke, Virginia, and Washington, D.C., and on the Wolverine Pipe Line near Detroit, Michigan. Both product pipelines are partly owned by Shell.

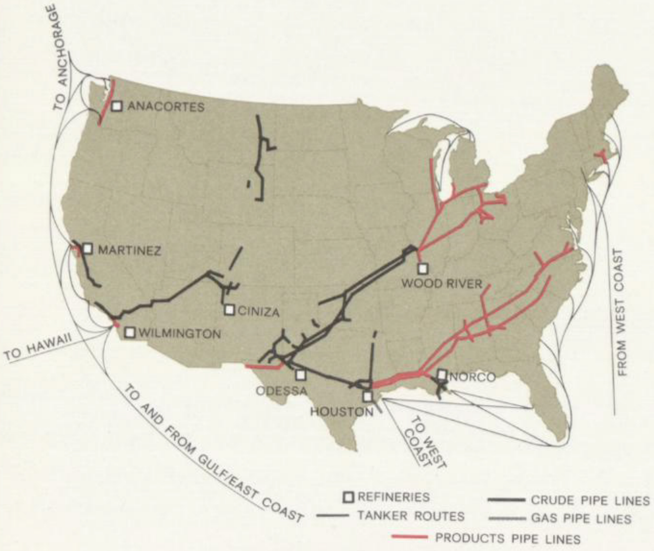
Improvements in marine transportation included the internal coating of large tankers to prevent corrosion and protect products, and provision for barge transportation of new chemical products from the Gulf of Mexico to Chicago.

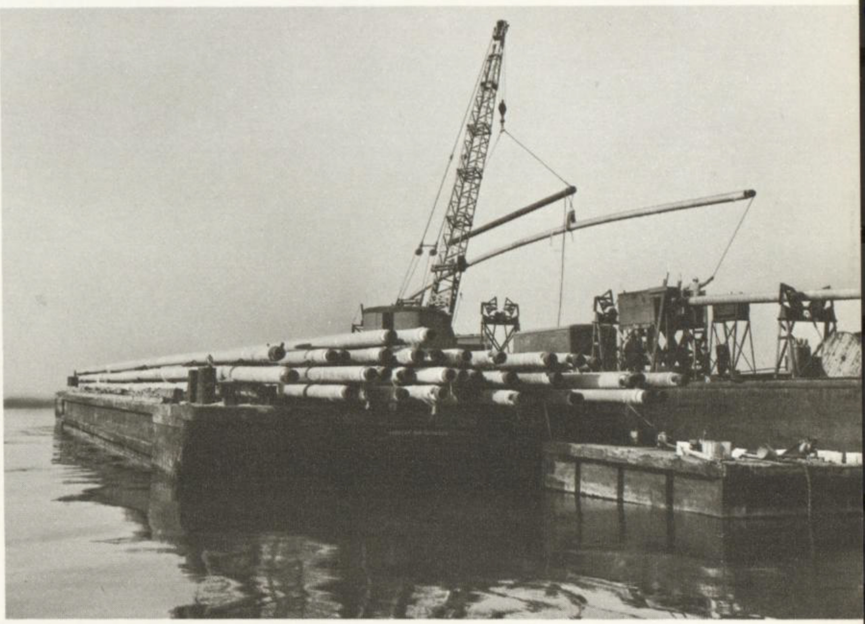
Shell Pipe Line Corporation in 1965 handled a record volume of petroleum and made important additions to its facilities for gathering crude oil in the Gulf of Mexico. Movements of hydrocarbons through its system, including partially owned facilities and those operated for others, totaled 154.1 billion barrel-miles. There are about 8,800 miles of trunk lines in the system.

The Marlin extension of the Delta Pipe Line System, an outstanding achievement in the building of underwater facilities, was completed in 1965. It moves oil 40 miles from fields in Federal waters off the Louisiana coast to the Delta Pipe Line, which serves the Norco Refinery.

Technical progress continued to contribute to increased efficiency. The Elk City-Cushing, Oklahoma, line was converted to computer control. A 406-mile-long microwave system scheduled for completion in 1966 between Houston and McCamey, Texas, will relieve the pipeline system's heavily loaded wire line communications facilities.

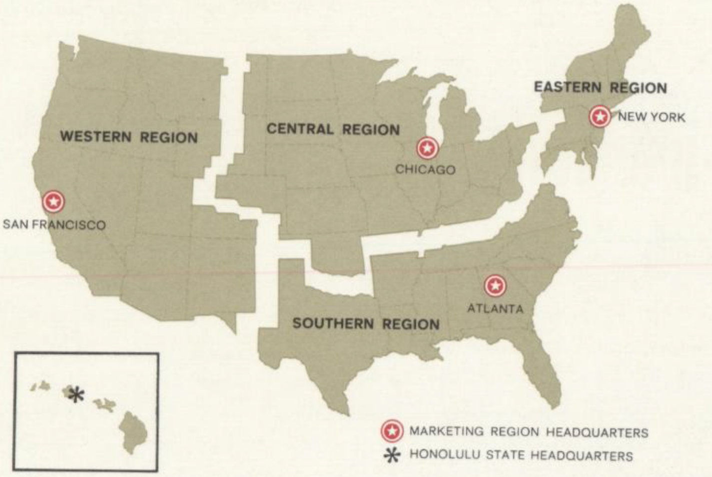
Research, including studies of the effects of waves and ocean currents on pipelines, was continued at the Shell Pipe Line Research and Development Laboratory at Houston.





Pipe is lifted from a supply barge in the construction of the Marlin extension of the Delta Pipe Line off the coast of Louisiana.

marketing



Improving markets and effective marketing programs combined to make 1965 sales the best in Shell's history.

The revenue from refined product sales was nearly 11% higher than in 1964. The increase was due to a gain of almost 3% in unit realization, modest but gratifying after seven successive years' decline, and to record volume. Unit realization rose mainly because of higher product prices after the first quarter of the year and also because of greater sales of premium gasoline. The total volume of the Company's refined products sales rose over 8% for the year. The industry had an indicated increase of about 4%.

The sales volume of Shell's automotive gasoline was approximately 7% greater than in 1964, and the industry's volume was about 4% greater. The Company's revenue from such sales rose approximately 12% as the premium grade, Super Shell, predominated in the volume increase.

The Company made the advance by developing new outlets in existing markets and generating more business through stations already established. Vigorous advertising, wider use of credit cards, and dealer improvement programs helped win broader acceptance and thus contributed to the growth.

In a suburb of Detroit, early in 1965, Shell opened its first Motorlab, an automotive service center with instruments giving a swift, accurate analysis of a car's performance. This and other innovations, such as restaurant-service station combinations, are being evaluated in order to determine the desirability of further expansion.

To help Shell dealers do a better job for themselves and their customers, the Company has established 45 Dealer Development Centers. Modern teaching techniques are used in training dealers in business and personnel management, and in strengthening their knowledge of products and their competence in automotive service.

Sales of commercial aviation fuels increased 15% in 1965 as the Company improved its position as a leading supplier of these products.

Efforts to increase the profitability of marketing by reducing the costs of distribution were continued. At Honolulu International Airport, Shell installed a hydrant system capable of delivering as much as 4,800 gallons of fuel per minute to 18 aircraft positions. In the Company's eastern marketing areas, a program for bypassing warehouses with direct deliveries of packaged goods from refineries and plants to service stations and other accounts has produced good results, and it is being extended to the Western Marketing Region. Another change in 1965, to quart and gallon-size motor oil containers made of Foil Fiber lined with polyethylene, will cut transportation costs.

Consolidation of marketing divisions into larger regional units continued. It will be completed in 1966.

The demand for airline aviation fuels reached a record growth rate in 1965, and Shell strengthened its position as a leading supplier of these products.

chemicals

Milwaukee, Wisconsin, was among the users of BIDRIN in protecting elm trees.

Shell Chemical Company's sales in 1965, totaling $306.0 million, were 11.8% higher than in 1964.

Capital expenditures for chemical plants, reaching a new high of $43.5 million for the year, brought the total investments in this area to $362.5 million. Major units being built will carry the total higher in 1966.

Record sales revenues in the Industrial Chemicals Division resulted from larger sales volumes, especially of ethyl alcohol, normal butyl alcohol, and glycerine. Prices were relatively stable. Shipments of NEODOL*, Shell's new primary alcohols which are used in the manufacture of biologically soft detergents, were begun from Houston, and construction of a second NEODOL unit was undertaken. The latter plant will be at Geismar, Louisiana, a new location which will also be the site of the Company's large new units for making ethylene oxide and derivatives.

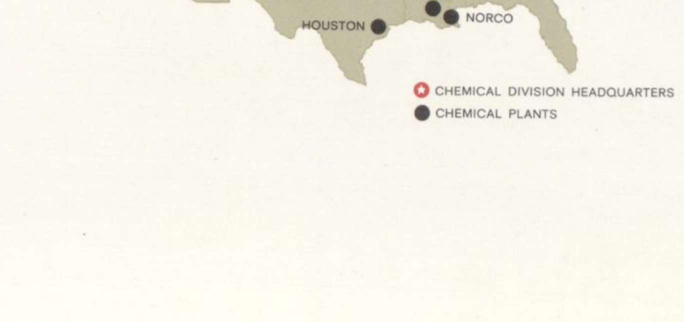
The Synthetic Rubber Division achieved record sales revenue despite price weakness late in the year. The division's plant at Marietta, Ohio, made its first shipment of Shell Isoprene Latex. A notable innovation was the introduction of the new THERMOLASTIC* class of synthetic elastomers. These products, which have the resilience of rubber and the versatility of plastic, can be made into finished articles without the costly process of vulcanizing. Facilities for making the products have been installed at Torrance, California.

Doubled polypropylene sales and substantial increases in polystyrene and EPON® resins volume produced a record year for the Plastics and Resins Division. Facilities were completed at Woodbury, New Jersey, for making polypropylene copolymers for such applications as luggage and automotive parts. The EPON resin plant at Houston was expanded to meet increased demands for the materials in civilian and military uses. Shell's pioneering market development program with the plastic milk container achieved further success in 1965, and consumer acceptance is now established.

Newer pesticides helped to move sales of the Agricultural Chemicals Division well above the 1964 level. Aldrin sales increased in the corn belt. Cotton farmers continued a large demand for BIDRIN®, a systemic insecticide. Shell introduced BIDRIN injectors for control of Dutch Elm disease and entered the commercial animal health field with ATGARD® V Swine Anthelmintic. Another new product was AZODRIN® Insecticide for control of bollworms on cotton. Sales of VAPONA® Insecticide Resin strips continued to increase, as did sales of other insecticides used in the dairy industry.

The relationship of insecticides to health remained a matter of general interest. Surveys made by the Company and by government agencies show that residues in food, at most a fraction of those allowed by law, constitute no hazard.

Sales of Ammonia Division prod-



Shell Trademark

ucts, again at record levels, taxed production capacity despite expanded facilities. Shell began building a new ammonia and urea plant at St. Helens, Oregon, to supply the Northwest; started construction of four fertilizer mixing plants in Oregon; and opened a Farm Center at Dixon, California, to test farmers' acceptance of one-stop service for fertilizers, insecticides, and petroleum products.

The Petrochemicals Division was established early in 1965 to handle products other than fuels, lubricants, and asphalts whose manufacture is involved in refinery operations. These products are used mainly in the chemical industry. An ethylene plant with a capacity of 500 million pounds per year is under construction at Norco. Plans have been announced for a new plant to manufacture para-xylene at Houston. The division introduced wax-polymer products for use in packaging; it plans to increase production of these products in a new plant at Houston. Revenues of this division, not included in the figures for Chemicals mentioned earlier in this section, will be included with the Chemicals section in subsequent reports.

research

Intensive and wide-ranging programs of research and development continued through 1965 in support of the Company's activities in exploration and production, the manufacture of oil and chemical products, and the transportation of crude oil and finished products.

The research was carried on by some 2,600 employees in the 12 laboratories of Shell Development Company, Shell Oil Company, Shell Chemical Company, Shell Pipe Line Corporation, and Sonico, Inc. Some of the work is mentioned in other parts of this report.

As new processes and products reach appropriate stages of development, Shell applies for patents. The Company's research efforts received significant recognition in 1965 as a number of important U.S. patents were granted to Shell in diverse fields.

A mechanical-electrical positioning system that automatically actuates the controls of a drilling vessel and keeps it centered over an underwater wellhead has been covered by a Shell patent. The system is used in Shell's drilling vessel, the ***Eureka.***

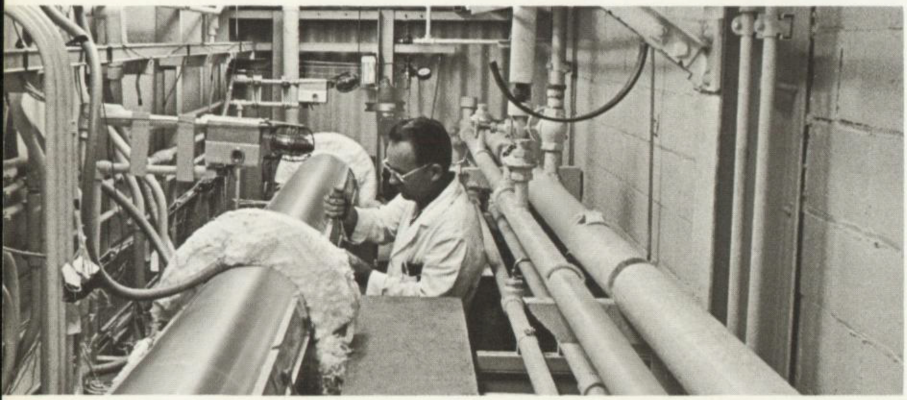
A patent was granted to Shell for a seismic velocity well-logging procedure that prevents intermixing of signals and obscuring of records.

An effective method of thermal recovery, patented by Shell, entails injection of low-quality steam into formations containing heavy oil. The Company produces substantial volumes of oil by this method.

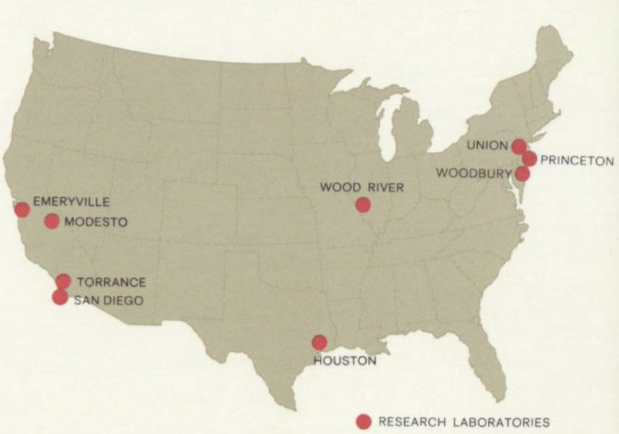
Among other patents granted to the Company during the year were those covering polypropylene of improved transparency and processing characteristics, a new commercial herbicide, and a commercial veterinary medicament for controlling worms in swine (ATGARD® V Swine Anthelmintic).

Certain oil and chemical processes that the Company has developed may be licensed to others in order to generate added revenue. In 1965, the Shell process for making ethylene oxide and ethylene glycol by direct oxidation, which Shell Chemical will use in its Geismar Plant, was licensed to a number of other companies in the United States and abroad.

The Company and a subsidiary of Bataafse Petroleum Maatschappij N.V. have continued an arrangement whereby each will perform for and exchange with the other research services in the fields of petroleum technology, petrochemicals, and other fields.



Shell Development scientists study fuels for supersonic planes.



the company continues to invest for growth

During 1965, Shell Oil Company made its greatest capital expenditures so far in the effort to find and produce oil and gas, as well as in the modernization and expansion of refineries and chemical plants. Heavy investments were continued in transportation, marketing, and research. Some of the installations and activities in which Shell has invested are shown in the photographs on this page and the three pages following.

exploration and production

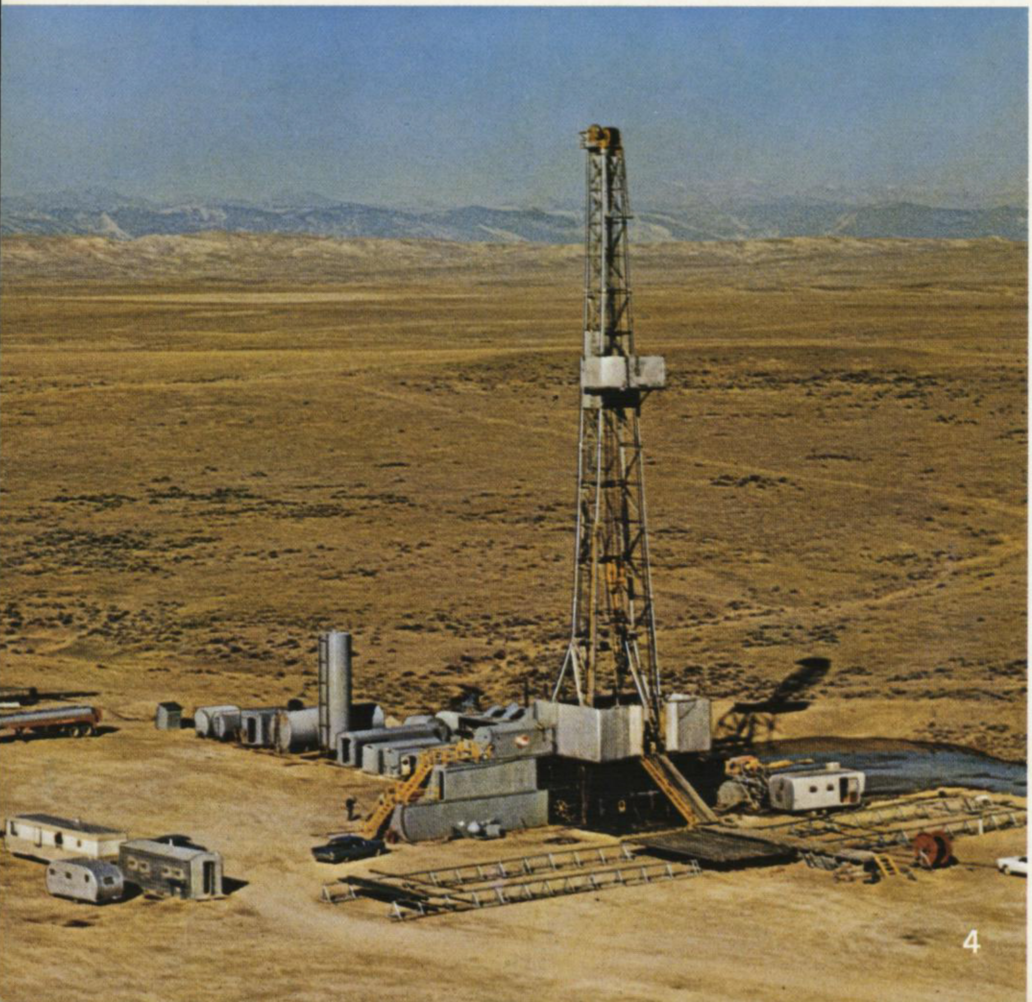
(1) *In the Buccaneer gas field off the coast of Texas, a 500-ton crane moves drilling equipment off Platform A for transfer to a new location. The 16 wells drilled from this platform are producing gas that flows through the Blue Dolphin Pipe Line to a chemical company's plant at Freeport. The small platform holds crew's quarters and a heliport. Substantial capital outlays were made for offshore operations in 1965.* **(2)** *Near Bakersfield, California, Shell continued its successful work in thermal recovery, injecting steam into heavy oil formations in order to promote production.*

3

exploration and production

(3) *In West Delta Block 134, off the Louisiana coast, the jacket of a large drilling and production platform nears the spot where it was set up in water 285 feet deep as part of the Company's Marlin System.*

(4) *Among the most successful exploration efforts onshore was the discovery of a new field at Reno in the Powder River Basin of Wyoming.* **(5)** *Research led to new developments, including this new system for remote control of drilling and completing wells on the ocean floor.*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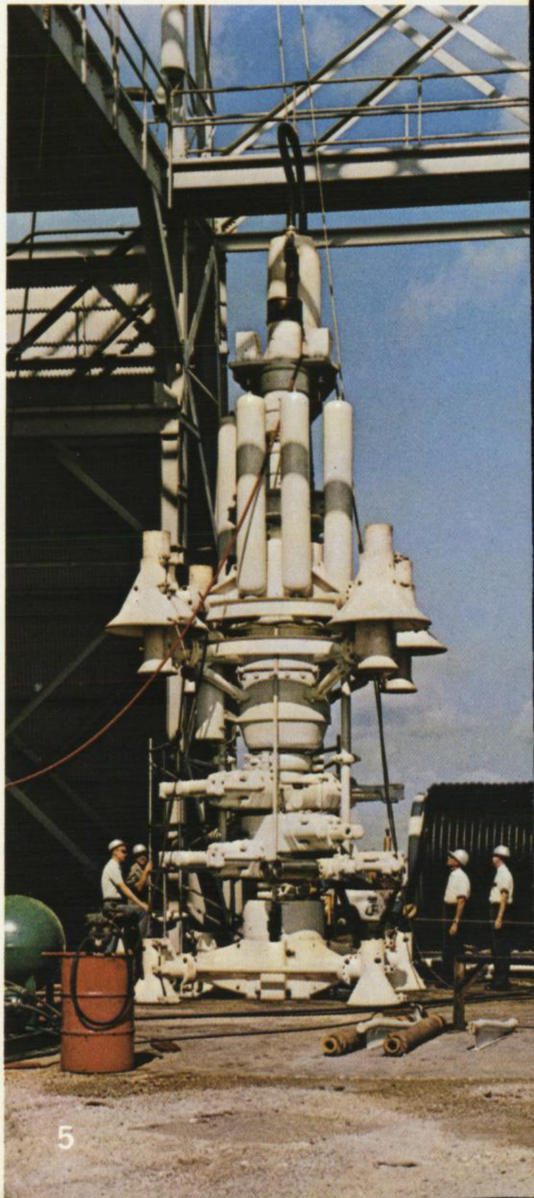
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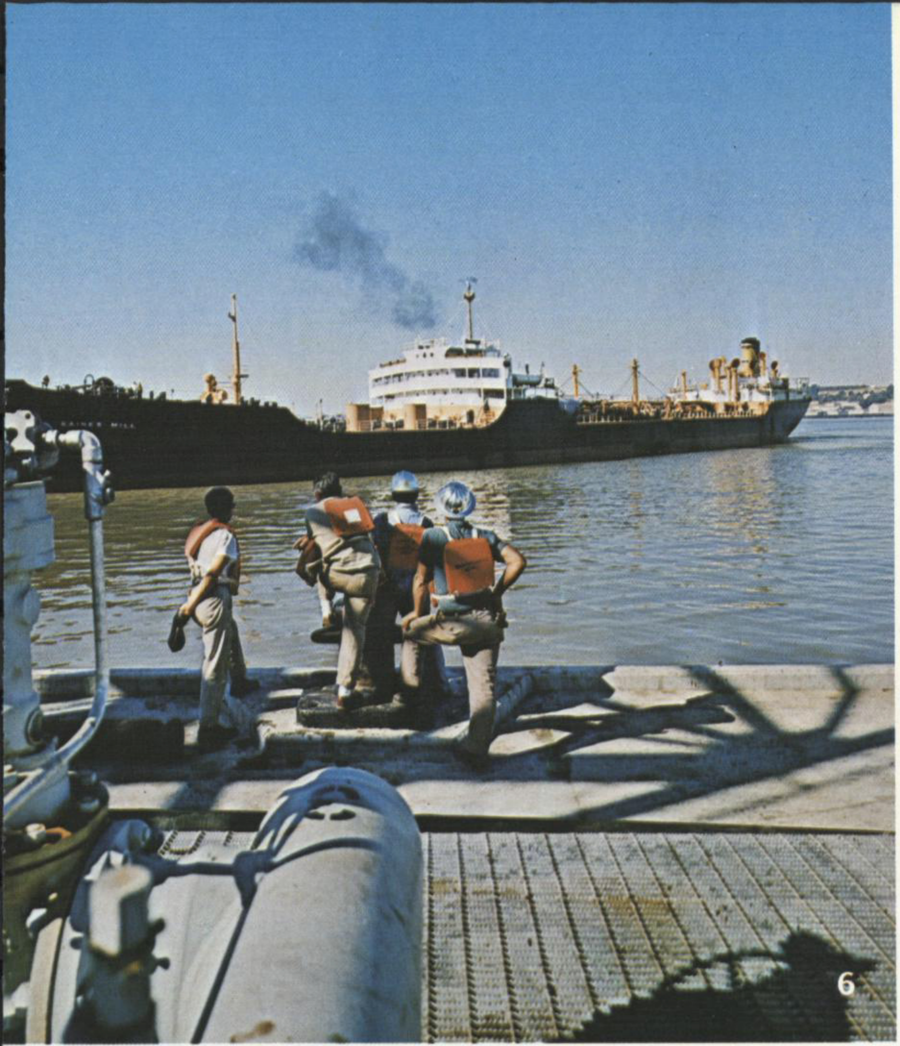
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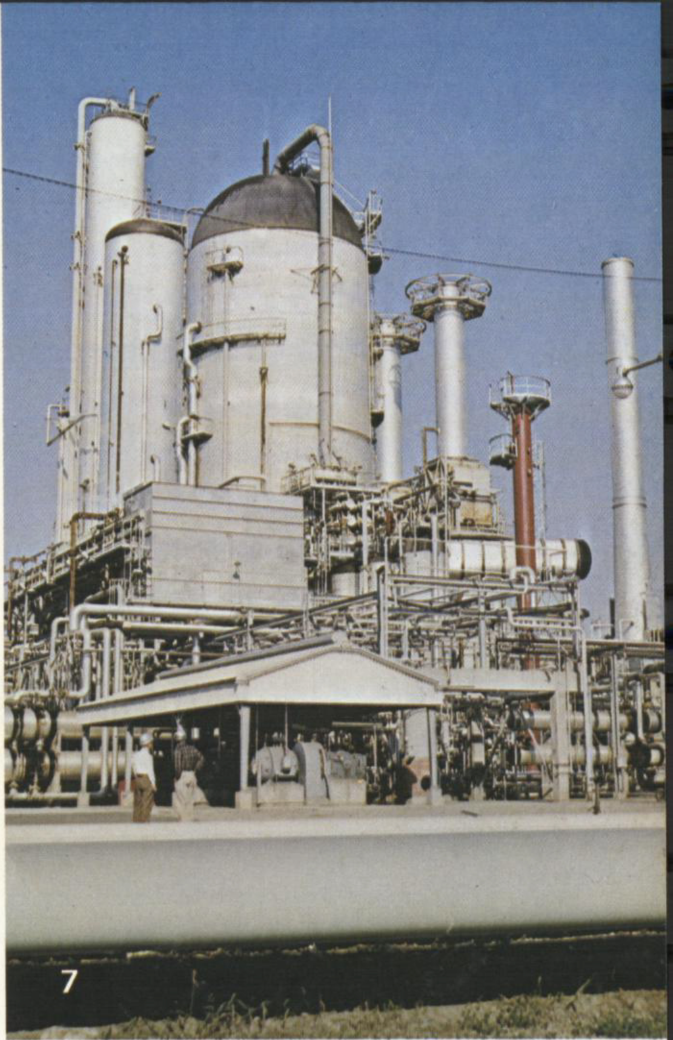
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manufacturing

(6) *A new wharf designed for fast, efficient handling of large tankers is part of the major improvement at Shell's Martinez Refinery.* **(7)** *A large new crude oil distillation unit was installed at the Norco, Louisiana, Refinery. The large column is the unit's vacuum flasher.*

transportation

(8) *A pipe-laying barge lowers pipe to the ocean floor during construction of the Blue Dolphin line. A similar operation was conducted in the building of the Marlin extension of the Delta Pipe Line System.*

marketing

(9) *Capital expenditures for service station development provided attractive and efficient ranch-type outlets, such as this near Ridgefield, Connecticut.* **(10)** *Dealers receive advanced training in station management and automotive service at 45 Dealer Development Centers throughout the marketing territory.*

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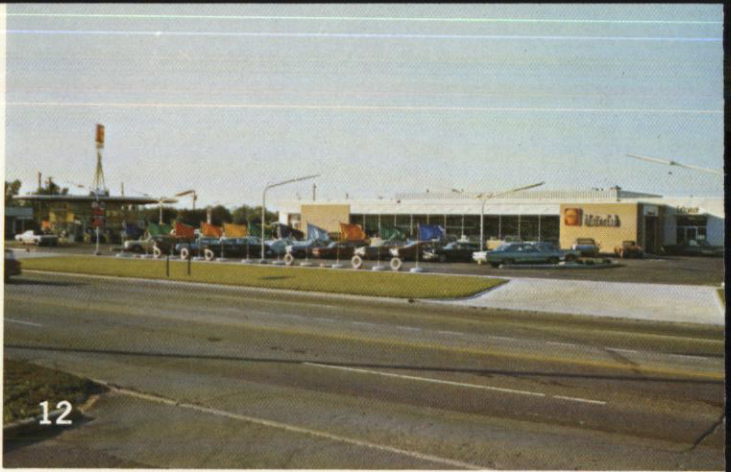
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marketing

(11) *In a suburb of Detroit, Michigan, Shell opened a Motorlab. Its advanced instruments give fast, accurate analysis of a car's performance.* **(12)** *The Motorlab is a large service center, supplementing the service offered by local stations.*

chemicals

(13) *A new Shell Chemical plant at Geismar, Louisiana, will make ethylene oxide, detergent alcohols, and derivatives.* **(14)** *At St. Helens, Oregon, Shell Chemical started an ammonia and urea plant.* **(15)** *EPON resins were used in terrazzo floors.*

research

Shell Development Company's research effort took many forms: **(16)** *studies of the cleanliness of clothes washed in new detergent formulations,* **(17)** *checks of cattle used in animal health tests,* **(18)** *experiments to develop new herbicides.*

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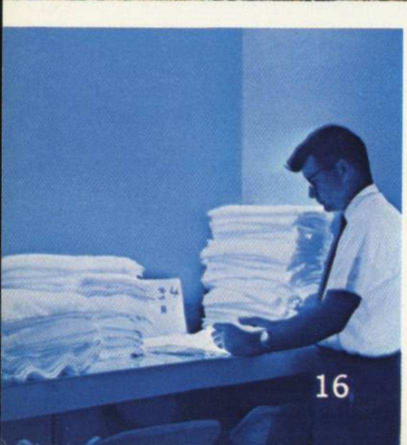
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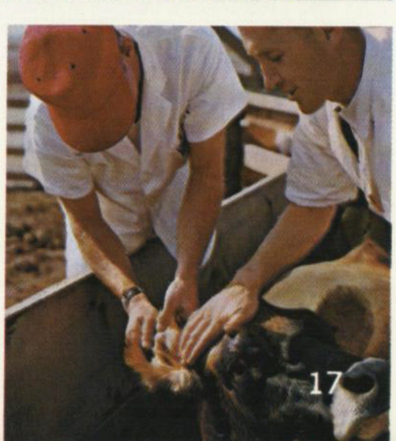
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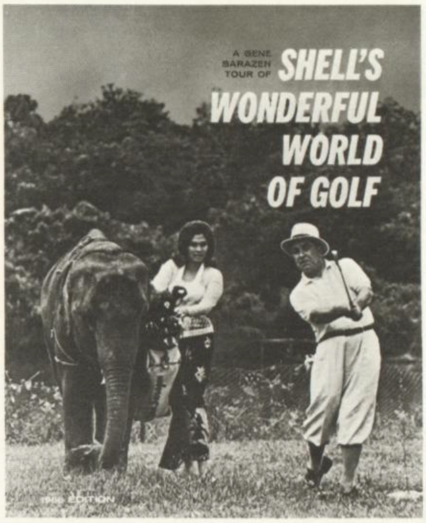
public relations

Two network television shows have been especially notable among the Company's public relations activities.

"Shell's Wonderful World of Golf," the Shell-produced-and-sponsored series of matches in which great players from many nations compete on the world's most beautiful and difficult courses, ran on a national network from early January through March 1965. Rated the most popular regularly scheduled television golf show, the series also appeals to nongolfers who enjoy the travelog periods, including the low-key commercials. It ran early this year for its fifth consecutive season.

As a further step in its long-established activities in support of traffic safety, Shell sponsored the "National Drivers Test" on CBS-TV May 24. Developed by CBS and the National Safety Council, this mass-audience-participation show was the highest-rated public service program ever carried by a single network. It was seen by 32 million people, or 54% of the national television audience, outdrawing even the national election returns. Hailed as a "pioneering breakthrough" and a "classic," it gave viewers a chance to test their judgment in collision situations, their knowledge of rules, and their ability to perceive hazards. The show was so well received that Shell has agreed to sponsor another National Drivers Test May 24, 1966.



Gene Sarazen, host-commentator for "Shell's Wonderful World of Golf," was featured on the cover of a book about the series distributed through Shell service stations. Walter Cronkite and Mike Wallace handled the CBS presentation of the National Drivers Test.

employee relations

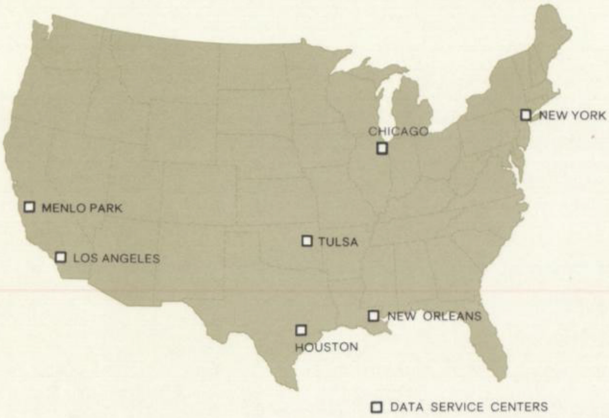
As the Company grew in 1965, so did challenges to the knowledge, skill and diligence of Shell employees. In its continued effort to enable everyone to work with satisfaction for himself and effectiveness for the Company, Shell made a number of changes in organization and operating procedures designed to make the structure more flexible and the performance more efficient.

The growth also generated a need for more people of first-rate ability in business and technical positions. Accordingly, the Company further intensified both hiring and employee development, recruiting more than 750 graduates in science, engineering, business administration, and the liberal arts, and introducing new training programs for employees who demonstrate the potential for more responsibility.

The number of employees at the end of the year was 34,548, or 970 more than a year earlier. This increase was due mainly to expansion of the Company's operations. Retirements during 1965 totaled 555, bringing to 10,134 the number of those who have retired on pension since the Shell Pension Plan began in 1938.

For 1965, the cost of wages, salaries, and benefits was $360 million, up $18 million from 1964. In accordance with an industry pattern, Shell granted a 4½% wage and salary increase to certain employee groups effective October 1, 1965.

At the end of the year, 16,136 employees were participating in the Shell Stock Fund, through which they are able to have all or part of the Company's contributions to their Provident Fund accounts invested in the common stock of the Company. During 1965, $14.1 million of the contributions were so invested.



financial

Greater sales volumes, improved prices for refined products, and the continued expansion of operations were primarily responsible for the rise in net income to a new high of $234.0 million, or $3.85 a share, in 1965. This represented an increase of $35.8 million, or 18%, over 1964 earnings of $198.2 million, or $3.27 a share. The rate of return on shareholders' investment increased to 14.5% from 13.2% in 1964.

Dividends paid to shareholders in 1965 totaled $103.2 million, up $12.4 million over 1964. On a per-share basis, cash dividends were $1.70 in 1965 compared with $1.50 in 1964.

Revenues for 1965 of $3,104.9 million were 9.5% greater than those for 1964. Sales volumes of refined products, chemicals, and natural gas continued to set new records. For the first time in seven years, an improvement in the average sales price per barrel of refined products contributed to increased revenues.

Costs and expenses for the year were $2,870.9 million, an increase of $234.5 million, or 8.9% more than in 1964. This was due mainly to greater purchases of crude oil and products and higher excise and sales taxes because of increased sales. Operating, selling and general expenses were up $69.0 million, but unit costs were about the same as those for last year.

The Company and its subsidiaries have continued to have certain transactions in the ordinary course of business involving the purchase, sale, and transportation of crude oil and its products, including chemical products, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited.

Capital expenditures in 1965 amounted to $488.8 million. In addition, exploration expense charged against income amounted to $74.3 million.

Working capital increased $59.3 million during the year. Cash and short-term securities at December 31, 1965 totaled $215.9 million, up $89.4 million over the previous year end.

In April 1965, the Company borrowed privately $150 million for general corporate purposes by placing 4½% 25-year Notes with institutional lenders. For similar purposes, the Company, early in 1966, arranged for an additional borrowing through private placement and sale of $150 million of 5% Debentures due March 15, 1991.

CAPITAL AND EXPLORATION EXPENDITURES

	1965	1964
	(Millions)	
Drilling and production	$253.8	$253.4
Oil refineries	122.2	78.3
Chemical plants	43.5	25.9
Marketing facilities	39.4	43.6
Pipelines and other transportation facilities	22.8	21.5
Miscellaneous facilities	7.1	9.3
TOTAL CAPITAL EXPENDITURES	488.8	432.0
Exploration expenses	74.3	75.8
TOTAL	$563.1	$507.8

source & disposition of funds

SOURCE OF FUNDS	1965	1964
	(Millions)	
Net income	$234.0	$198.2
Depreciation, depletion, amortization and retirements	204.7	188.8
Dry hole costs (included in capital expenditures)	48.7	50.5
TOTAL FUNDS DERIVED FROM OPERATIONS	487.4	437.5
Net increase in long term debt	148.1	—
Property sales and salvage	8.5	10.8
Company shares sold less shares acquired	7.3	2.1
TOTAL	$651.3	$450.4

DISPOSITION OF FUNDS		
Capital expenditures including dry hole costs	$488.8	$432.0
Dividends paid	103.2	90.8
Decrease in long term debt	—	5.8
Investments, long term receivables and other items	—	4.6
Working capital increase (decrease)	59.3	(82.8)
TOTAL	$651.3	$450.4

Opinion of Independent Accountants

TO THE SHAREHOLDERS OF SHELL OIL COMPANY:

In our opinion, the accompanying statement of financial condition, the related statement of income and retained earnings, and the statement of source and disposition of funds as shown above, present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1965, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N.Y.
February 18, 1966

PRICE WATERHOUSE & CO.

Shell Oil Company and Subsidiary Companies

statement of income and retained earnings

	YEAR 1965	YEAR 1964
REVENUES		
Sales and other operating revenue	$3,091,877,000	$2,823,405,000
Dividends, interest and other income	13,041,000	11,169,000
	3,104,918,000	2,834,574,000
COSTS AND EXPENSES		
Purchased oils and chemicals	1,080,011,000	1,001,787,000
Costs and operating expenses	617,200,000	573,645,000
Selling, general and administrative expenses	251,410,000	225,919,000
Income, operating and consumer taxes (Note 2)	652,984,000	584,450,000
Depreciation, depletion, amortization and retirements, including dry holes	253,415,000	239,318,000
Interest on long term debt	15,867,000	11,265,000
	2,870,887,000	2,636,384,000
NET INCOME	234,031,000	198,190,000
RETAINED EARNINGS at beginning of year	1,142,857,000	1,035,465,000
	1,376,888,000	1,233,655,000
Cash dividends paid—$1.70 per share (1964—$1.50 per share)	103,194,000	90,798,000
RETAINED EARNINGS at end of year	$1,273,694,000	$1,142,857,000

statement of financial condition

	DECEMBER 31, 1965	DECEMBER 31, 1964
Assets		
CURRENT ASSETS		
Cash	$ 44,258,000	$ 35,831,000
Short term securities, at cost approximating market	171,615,000	90,677,000
Receivables and prepayments (Note 3)	446,998,000	393,042,000
Owing by affiliated companies	5,521,000	4,861,000
Inventories of oils and chemicals (Note 4)	222,325,000	224,149,000
Materials and supplies, at average cost or less	26,702,000	25,354,000
TOTAL CURRENT ASSETS	917,419,000	773,914,000
INVESTMENTS, LONG TERM RECEIVABLES, ETC., at cost	37,802,000	40,035,000
PROPERTIES, PLANT AND EQUIPMENT, at cost, less accumulated depreciation, depletion and amortization (Note 5)	1,716,243,000	1,487,081,000
	$2,671,464,000	$2,301,030,000
Liabilities and Shareholders' Investment		
CURRENT LIABILITIES		
Payables, accruals, etc.	$ 349,738,000	$ 299,792,000
Income, operating and consumer taxes	145,639,000	114,236,000
Owing to affiliated companies	6,509,000	4,390,000
Long term debt due within one year (Note 6)	3,250,000	2,550,000
TOTAL CURRENT LIABILITIES	505,136,000	420,968,000
LONG TERM DEBT (Note 6)	415,535,000	267,424,000
SHAREHOLDERS' INVESTMENT		
Common stock, authorized 80,000,000 shares at $1.00 par value, issued 60,865,518 shares (1964—60,687,068 shares) at stated value (Note 7)	227,442,000	227,264,000
Amount in excess of common stock stated value (Note 7)	254,526,000	247,737,000
Retained earnings	1,273,694,000	1,142,857,000
	1,755,662,000	1,617,858,000
Less 113,009 shares (1964—126,194 shares) held in treasury, at cost	4,869,000	5,220,000
TOTAL SHAREHOLDERS' INVESTMENT	1,750,793,000	1,612,638,000
	$2,671,464,000	$2,301,030,000

notes to financial statements

1. GENERAL

The financial statements include the accounts of all wholly owned subsidiary companies. Intercompany sales and profits of the companies consolidated have been eliminated in the statements to the extent considered practicable.

2. INCOME, OPERATING AND CONSUMER TAXES

	1965	1964
Consumer Taxes		
Excise and sales taxes on products sold	$529,668,000	$491,464,000
Operating Taxes		
Real and personal property	31,208,000	30,755,000
Oil and gas production	27,627,000	25,199,000
Social security	9,239,000	8,826,000
Other	14,766,000	12,821,000
	82,840,000	77,601,000
Income Taxes		
Federal and other	40,476,000	15,385,000
	$652,984,000	$584,450,000

3. RECEIVABLES

The receivables amounted to $419,027,000 at December 31, 1965 and $368,722,000 at December 31, 1964, after deducting allowance for doubtful accounts of $7,952,000 and $6,892,000, respectively.

4. INVENTORIES OF OILS AND CHEMICALS

As in prior years, the policy has been followed during the year ended December 31, 1965, of charging to cost of goods sold the highest of inventory carrying value, current cost of production, or purchases. The inventories of oils and chemicals are carried at resulting average cost or market, whichever is lower.

5. PROPERTIES, PLANT AND EQUIPMENT

	Gross Book Value	Accumulated Depreciation, Etc.	Net Book Value
	(Thousands of Dollars)		
Production properties	$2,226,320	$1,279,890	$ 946,430
Oil refineries	803,826	499,643	304,183
Chemical plants	362,457	220,543	141,914
Marketing facilities	361,443	167,883	193,560
Pipelines and other transportation facilities	228,883	135,502	93,381
Miscellaneous facilities	67,970	31,195	36,775
Total Dec. 31, 1965	$4,050,899	$2,334,656	$1,716,243
Total Dec. 31, 1964	$3,704,588	$2,217,507	$1,487,081

6. LONG TERM DEBT

	December 31, 1965
Shell Oil Company	
Twenty-five Year 2½% Debentures, due 1971, after deducting $6,681,000 of debentures held in treasury which are available for sale to the sinking fund agent	$ 52,535,000
4⅝% Sinking Fund Debentures Due 1986	200,000,000
4½% Notes due 1990	150,000,000
Shell Pipe Line Corporation	
3.50% notes payable to banks due 1966	2,250,000
3.30% notes payable to banks and others due 1966 and 1967	2,000,000
4.50% note payable to bank due 1967 to 1969	12,000,000
	418,785,000
Included in Current Liabilities as due within one year	3,250,000
	$415,535,000

Of the foregoing long term debt due after one year, $11,319,000 will be due in 1967, $12,000,000 in 1968, $18,000,000 in 1969 and $15,000,000 in 1970.

7. INCENTIVE STOCK OPTION PLANS

At December 31, 1965, 594,950 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1956 and in 1965, for sale to key employees, including executives. Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options have been granted for terms not exceeding five years at not less than 100% of the fair market value at the date of grant. Generally, such options may not be exercised within eighteen months of the date of grant. Options granted after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954, as amended, with respect to qualified stock options.

At January 1, 1965, options to purchase 473,400 shares were outstanding, of which options for 381,400 shares were exercisable; 17,300 shares were available under the 1956 Plan for future options. During 1965, the 1956 Plan was terminated without affecting outstanding options, and the 1965 Plan was adopted; no options were granted under the 1956 Plan in 1965. During the year options were granted to buy 71,400 shares at the average option price of $63.25 per share, and options for 178,450 shares were exercised at the average option price of $39.04 per share or $6,967,288. Of this amount $178,450 was credited to common stock and $6,788,838 was credited to amount in excess of common stock stated value. At December 31, 1965, options to purchase 366,350 shares were outstanding, of which options for 273,950 shares were exercisable; 228,600 shares were available for future options.

Under the 1956 Plan, options covering 44,600 shares have been adjusted (through reducing the purchase price of each share by 7.34%) to reflect the effect thereon of the distribution to the Company's shareholders of all Shell Canada Limited stock held by the Company on November 1, 1962. Similar adjustments will probably be made in the future with respect to other affected options. At the date of distribution, such options (exclusive of those since adjusted or expired) covered an aggregate of 440,100 shares.

8. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1965, Shell Oil and subsidiary companies had long term leases and other contractual commitments with an average unexpired life of approximately 6½ years covering service stations, office space, tankers and other facilities. For the year 1966, the minimum amounts payable (without reduction for related rental income) under such commitments having a remaining life of over one year are estimated at $59,000,000.

Shell Oil Company might be required under certain conditions to make payments under guaranty and other contractual arrangements entered into in connection with pipelines and other facilities used for handling the Company's products. At December 31, 1965, the contingent liability under such arrangements will not exceed $1,400,000 for 1966 and a total of $44,500,000 for years subsequent thereto.

None of the companies had any commitments or contingent liabilities which, in the judgment of the management, would result in losses which would materially affect their financial positions.

ten year review of financial data (dollars in thousands except per share amounts)

		1965	1964
INCOME AND DIVIDENDS	Net income	$ 234,031	198,190
	Net income per share*	$ 3.85	3.27
	Cash dividends	$ 103,194	90,798
	Cash dividends per share*	$ 1.70	1.50
	Cash income (net income plus write-offs)	$ 487,446	437,508
REVENUES	Sales and other operating revenue		
	Refined products	$1,627,349	1,469,057
	Chemical products	$ 306,016	273,614
	Natural gas	$ 104,476	95,653
	Crude oil	$ 497,323	469,468
	Other operating revenue	$ 27,045	24,149
	Consumer excise and sales taxes	$ 529,668	491,464
	TOTAL	$3,091,877	2,823,405
	Dividends, interest and other income	$ 13,041	11,169
	TOTAL REVENUES	$3,104,918	2,834,574
COSTS AND EXPENSES	Income and operating taxes	$ 123,316	92,986
	Depreciation, depletion, amortization and retirements, including dry holes	$ 253,415	239,318
	Salaries, wages and employee benefits		
	Salaries and wages	$ 270,659	259,696
	Employee benefits (including vacation, holiday and sick pay)	$ 89,734	82,834
	TOTAL	$ 360,393	342,530
	Number of employees at year end	34,548	33,578
FINANCIAL CONDITION AT YEAR END	Current assets	$ 917,419	773,914
	Current liabilities	$ 505,136	420,968
	WORKING CAPITAL	$ 412,283	352,946
	Properties, plant and equipment	$4,050,899	3,704,588
	Accumulated depreciation, depletion and amortization	$2,334,656	2,217,507
	NET PROPERTIES, PLANT AND EQUIPMENT	$1,716,243	1,487,081
	Total assets	$2,671,464	2,301,030
	Long term debt	$ 415,535	267,424
	Shareholders' investment	$1,750,793	1,612,638
	Shares outstanding (thousands)	60,753	60,561
	Number of shareholders	23,917	23,669
CAPITAL EXPENDITURES	Drilling and production (including dry holes)	$ 253,812	253,401
	Oil refineries	$ 122,165	78,296
	Chemical plants	$ 43,518	25,903
	Marketing facilities	$ 39,427	43,605
	Pipelines and other transportation facilities	$ 22,854	21,492
	Miscellaneous facilities	$ 7,064	9,254
	TOTAL	$ 488,840	431,951
EXPLORATION AND PRODUCTION EXPENDITURES	Oil and gas leases	$ 41,609	41,933
	Producing wells and equipment	$ 152,262	151,853
	Dry holes	$ 48,668	50,522
	Geological, geophysical and land expenses	$ 63,856	61,381
	Lease rentals	$ 10,452	14,385
	TOTAL	$ 316,847	320,074

**Per share outstanding at each year-end adjusted for stock dividends and splits.*

***In addition, one Class "A" Common Share of Sh*

Shell Oil Company and Subsidiary Companies

1963	1962	1961	1960	1959	1958	1957	1956
79,852	157,675	140,358	144,588	147,418	128,583	152,940	150,045
2.97	2.60	2.32	2.39	2.43	2.12	2.52	2.48
78,658	66,636	66,636	66,631	62,088	60,573	60,573	56,443
1.30	1.10**	1.10	1.10	1.02½	1.00	1.00	.93
1,523	359,058	334,212	345,608	342,807	323,148	362,888	344,020
58,290	1,271,614	1,204,592	1,167,922	1,156,211	1,125,166	1,194,952	1,126,838
56,967	232,427	213,876	229,457	226,957	187,907	201,918	213,630
86,392	74,643	75,378	70,245	48,118	38,955	35,145	32,444
14,131	367,260	368,066	345,202	358,612	300,919	319,981	248,359
12,857	14,789	19,376	15,006	20,055	13,042	12,606	14,164
34,043	390,438	357,351	340,000	320,005	287,765	282,466	256,192
62,680	2,351,171	2,238,639	2,167,832	2,129,958	1,953,754	2,047,068	1,891,627
11,943	8,959	8,978	10,650	10,001	8,143	8,757	8,982
74,623	2,360,130	2,247,617	2,178,482	2,139,959	1,961,897	2,055,825	1,900,609
05,745	86,042	86,142	93,401	98,948	66,214	89,662	114,372
21,671	201,383	193,854	201,020	195,389	194,565	209,948	193,975
45,738	244,200	266,053	258,774	255,211	246,195	247,434	231,636
81,645	80,767	86,099	87,488	86,356	79,157	78,380	69,270
27,383	324,967	352,152	346,262	341,567	325,352	325,814	300,906
32,191	33,908	35,586	38,290	38,217	38,572	40,465	39,903
98,128	669,730	682,842	599,169	607,841	564,888	557,556	554,826
62,405	301,650	303,948	282,276	308,722	265,150	263,791	267,573
35,723	368,080	378,894	316,893	299,119	299,738	293,765	287,253
03,284	3,261,080	3,092,547	2,912,786	2,713,970	2,516,309	2,377,477	2,230,652
01,551	1,979,703	1,885,524	1,775,893	1,655,458	1,534,449	1,413,902	1,303,421
01,733	1,281,377	1,207,023	1,136,893	1,058,512	981,860	963,575	927,231
38,803	1,989,100	2,076,235	1,885,344	1,767,309	1,648,271	1,601,623	1,544,359
273,219	283,123	295,239	200,002	133,478	143,342	166,087	197,408
503,179	1,404,327	1,477,048	1,403,066	1,325,109	1,239,779	1,171,745	1,079,378
60,496	60,548	60,580	60,573	60,573	30,287	30,286	30,286
23,070	22,183	20,403	20,018	19,730	19,307	19,685	19,727
180,058	214,281	179,685	199,979	207,345	143,352	183,675	159,737
25,596	11,787	17,312	26,800	24,516	33,695	36,193	21,387
8,221	20,671	39,795	18,014	21,268	11,410	16,540	27,917
28,108	27,105	24,777	29,726	18,518	16,920	19,771	16,254
4,680	4,076	5,617	6,589	5,347	13,618	3,567	4,887
5,407	4,834	2,728	2,933	3,079	4,087	5,889	4,464
252,070	282,754	269,914	284,041	280,073	223,082	265,635	234,646
40,970	85,250	34,352	66,065	68,811	15,514	26,007	26,212
96,415	91,492	112,158	102,601	100,239	96,911	127,592	109,241
38,722	33,665	23,795	28,973	31,288	29,583	28,236	23,148
59,573	56,201	62,831	60,345	55,587	51,685	58,318	51,026
13,012	12,061	10,454	9,488	9,096	9,450	11,213	10,226
248,692	278,669	243,590	267,472	265,021	203,143	251,366	219,853

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nada Limited was distributed for each five shares of Common Stock of the Company.

ten year review of operating data (daily average barrels in thousands)

		1965	1964
PRODUCTION	Crude oil and natural gas liquids produced (daily avg. barrels)		
	Gross	493	46
	Net		
	California	65	6
	Louisiana	187	17
	Montana	21	23
	New Mexico	15	13
	Oklahoma	15	15
	Texas	101	95
	Other	27	27
	TOTAL	431	407
	Natural gas liquids produced (incl. in above) (daily avg. barrels)	47	42
	Gross natural gas produced (million cubic feet daily)	1,926	1,821
	Net natural gas produced (million cubic feet daily)	1,626	1,559
	Crude oil purchased (daily average barrels)	789	753
	Crude oil sold (daily average barrels)	493	459
EXPLORATION AND DRILLING	Net acreage (in thousands)		
	Producing	860	844
	Non-producing	11,405	14,702
	TOTAL	12,265	15,546
	Net wells drilled		
	Exploratory—oil and gas	35	52
	dry holes	104	142
	Development—oil and gas	413	732
	dry holes	126	83
	TOTAL	678	1,009
	Net oil and gas wells producing or capable of producing	14,670	14,669
MANUFACTURING	Refinery crude intakes (daily average barrels)		
	Anacortes	71	69
	Houston	142	138
	Martinez	36	40
	Norco	137	120
	Odessa/Ciniza	35	25
	Wilmington	88	87
	Wood River	191	191
	TOTAL	700	670
	Refined products manufactured (daily average barrels)		
	Gasolines	350	333
	Distillates	213	196
	Residuals	70	71
	All other products	101	97
	TOTAL	734	697
MARKETING	Refined products sold (daily average barrels)		
	Gasolines	410	385
	Distillates	254	227
	Residuals	89	83
	All other products	93	85
	TOTAL	846	780
	Natural gas sold (million cubic feet daily)	1,661	1,565
	Bulk distributing plants (leased and owned)	703	701
	Retail outlets (leased and owned)	11,500	11,300
	Retail outlets (other)	13,100	13,000
TRANSPORTATION	Trunk pipeline mileage—crude oil (incl. partially-owned)	6,460	6,421
	Trunk pipeline mileage—products (incl. partially-owned)	7,361	7,040
	Crude oil transported by pipelines (million barrel miles)	100,770	98,837
	Products transported by pipelines (million barrel miles)	31,434	26,943

1963	1962	1961	1960	1959	1958	1957	1956
452	430	415	404	398	379	399	383
63	65	72	77	81	83	88	91
156	141	122	113	98	84	91	78
23	21	21	20	17	20	19	12
13	13	14	16	18	18	17	17
15	15	14	15	15	18	21	23
93	88	84	80	82	76	85	89
31	32	36	33	37	35	29	28
394	375	363	354	348	334	350	338
42	38	35	34	32	32	33	34
1,656	1,516	1,310	1,231	983	886	892	871
1,413	1,299	1,129	1,064	853	770	768	759
677	608	599	543	534	451	489	444
408	363	369	347	357	277	286	242
723	695	656	599	552	520	479	459
15,066	14,619	14,164	13,395	12,509	11,675	14,487	21,537
15,789	15,314	14,820	13,994	13,061	12,195	14,966	21,996
32	16	27	36	40	31	38	58
108	85	72	101	127	105	183	186
479	505	607	589	612	573	750	622
88	102	75	80	65	73	62	30
707	708	781	806	844	782	1,033	896
14,152	13,549	13,077	12,096	11,825	11,374	11,172	10,683
54	55	46	44	42	40	42	26
143	119	114	107	111	104	120	124
42	42	35	39	38	39	50	56
115	115	108	103	100	90	91	89
84	77	71	70	69	63	74	79
193	161	181	172	155	158	168	162
631	569	555	535	515	494	545	536
308	281	283	276	271	263	274	269
193	174	160	140	129	112	130	134
69	61	58	58	62	62	83	81
84	71	78	80	68	69	69	65
654	587	579	554	530	506	556	549
348	327	299	286	293	279	279	270
212	199	171	150	135	126	129	132
80	68	66	68	64	72	82	85
78	70	75	73	70	67	62	61
718	664	611	577	562	544	552	548
1,429	1,335	1,184	1,109	942	863	875	851
699	737	744	771	773	784	786	790
10,700	10,300	9,900	9,500	9,000	8,800	8,400	8,300
12,800	12,900	13,300	13,400	14,200	14,600	14,800	14,700
6,128	6,054	5,984	5,988	6,081	5,959	5,304	5,579
6,302	6,145	4,998	4,725	4,720	4,718	4,670	4,670
96,836	83,962	94,213	90,632	86,368	78,495	80,804	77,766
26,033	23,851	21,730	21,215	20,795	20,116	21,317	20,819

BOARD OF DIRECTORS

MONROE E. SPAGHT*	*Chairman A Managing Director, Royal Dutch Petroleum Company*
R. C. McCURDY*	*President*
D. H. BARRAN	*A Managing Director of The "Shell" Transport and Trading Company, Limited*
WILLIAM BLACKIE	*President, Caterpillar Tractor Co.*
L. E. J. BROUWER	*President, Royal Dutch Petroleum Company*
J. E. CLARK*	*Executive Vice President*
CHARLES de BRETTEVILLE	*President and Chief Executive Officer, The Bank of California National Association*
JAMES H. DOOLITTLE	*Lieutenant General, United States Air Force, Retired*
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C. W. HUMPHREYS	*President, Shell Chemical Company*
D. B. KEMBALL-COOK*	*Executive Vice President*
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E. CHESTER PEET	*Voting Trustee, Trans World Airlines, Inc.*

**Member of the Executive Committee*

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JEROME C. HUNSAKER THOMAS A. MORGAN

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J. E. CLARK	*Executive Vice President*
D. B. KEMBALL-COOK	*Executive Vice President*
MONROE E. SPAGHT	*Chairman of the Executive Committee*

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R. H. RICHARDS	*Controller*
M. E. ROBINSON	*Treasurer*

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C. P. BRISTOL	*Midland Area*
G A. BURTON	*Pacific Coast Area*
E. G. CHRISTIANSON	*Houston Area*
J. E. WILSON	*New Orleans Area*

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M. P. L. LOVE

Marketing

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C. A. FOSTER, JR.	*Western Marketing Region*
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C. L. TOWERS	*Southern Marketing Region*

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P. G. GRIMSHAW

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Public Relations

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a Division of Shell Oil Company

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J. P. CUNNINGHAM	*Vice President*
B. M. DOWNEY	*Vice President*
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SHELL DEVELOPMENT COMPANY

a Division of Shell Oil Company

T. W. EVANS	*President*
S. A. BALLARD	*Vice President*
T. BARON	*Vice President*
A. J. JOHNSON	*Vice President*
N. D. SMITH, JR.	*Vice President*

SHELL PIPE LINE CORPORATION

J. H. PITTINGER	*President*
G. S. WOLBERT, JR.	*Treasurer*
W. J. WILLIAMSON	*Secretary*

HEAD OFFICES

SHELL OIL COMPANY
50 West 50th Street, New York, N. Y. 10020

SHELL CHEMICAL COMPANY
50 West 50th Street, New York, N. Y. 10020

SHELL DEVELOPMENT COMPANY
50 West 50th Street, New York, N. Y. 10020

SHELL PIPE LINE CORPORATION
Shell Building, P.O. Box 2648, Houston, Texas 77001

directorate and executive

John H. Loudon, who had been Chairman of the Board of Directors of Shell Oil Company since 1957 and had served as a member of the Board for various periods since 1948, retired effective July 1, 1965. Mr. Loudon had provided distinguished leadership for many years. His association with the Royal Dutch/Shell Group of Companies began in 1930. He became a Managing Director of the Group in 1947.

Monroe E. Spaght, former President of Shell Oil Company, succeeded Mr. Loudon as Chairman of the Board of Directors of Shell Oil Company and was appointed a Managing Director of the Royal Dutch/Shell Group of Companies.

R. C. McCurdy, former President of Shell Chemical Company and a Director and member of the Executive Committee of Shell Oil Company, succeeded Mr. Spaght as President and Chief Executive Officer of Shell Oil Company.

L. E. J. Brouwer, President of Royal Dutch Petroleum Company and a Managing Director of the Royal Dutch/Shell Group of Companies, was elected a Director of Shell Oil Company to fill the vacancy caused by Mr. Loudon's retirement. C. W. Humphreys, President of Shell Development Company, was elected a Director and succeeded Mr. McCurdy as President of Shell Chemical Company.

Charles de Bretteville, President of the Bank of California National Association, was elected to the Board of Directors to fill the vacancy created by John W. Gardner's resignation following his appointment by President Johnson as Secretary of Health, Education and Welfare. Mr. Gardner had been a member of the Shell Board of Directors since 1962.

William P. Gwinn, President of United Aircraft Corporation, was elected a Director in January 1966.

With deep regret, your Directors record the death of James B. Black, who had served as a Director of the Company since 1950.

Other Executive changes during the year were:

T. W. Evans, Vice President of Shell Development Company and General Manager of the Emeryville, California, Research Center, was elected President of Shell Development to succeed Mr. Humphreys.

S. A. Ballard, Vice President, Shell Chemical, succeeded Mr. Evans. C. L. Raymond, Manager, Research and Development, Industrial Chemicals Division, Shell Chemical, succeeded Mr. Ballard.

C. A. Foster, Jr., Vice President in charge of the Central Marketing Region, became Vice President in charge of the Western Marketing Region, to succeed J. H. Hall, who accepted an overseas appointment. M. B. Holdgraf, Division Manager, St. Louis, was elected a Vice President to succeed Mr. Foster.

J. B. St. Clair, General Manager, Transportation and Supplies, was elected a Vice President to succeed B. Stolley, who accepted an overseas appointment.

T. Baron, Manager, Research and Development, Synthetic Rubber Division, Shell Chemical, was elected a Vice President in charge of Shell Development's Exploration and Production Research Division; and J. P. Cunningham, General Manager, Synthetic Rubber Division, Shell Chemical, and S. H. McAllister, General Manager, Agricultural Chemicals Division, Shell Chemical, were elected to newly created posts as Vice Presidents, Shell Chemical.

J. H. Pittinger, General Manager, Purchasing Stores, was elected President of Shell Pipe Line Corporation. He succeeded J. A. Horner, who has accepted a special assignment.

TRANSFER AGENTS

IRVING TRUST COMPANY
1 Wall Street, New York, N. Y. 10015

THE BANK OF CALIFORNIA NATIONAL ASSOCIATION
545 Sansome Street, San Francisco, Calif. 94120

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
231 South LaSalle Street, Chicago, Ill. 60690

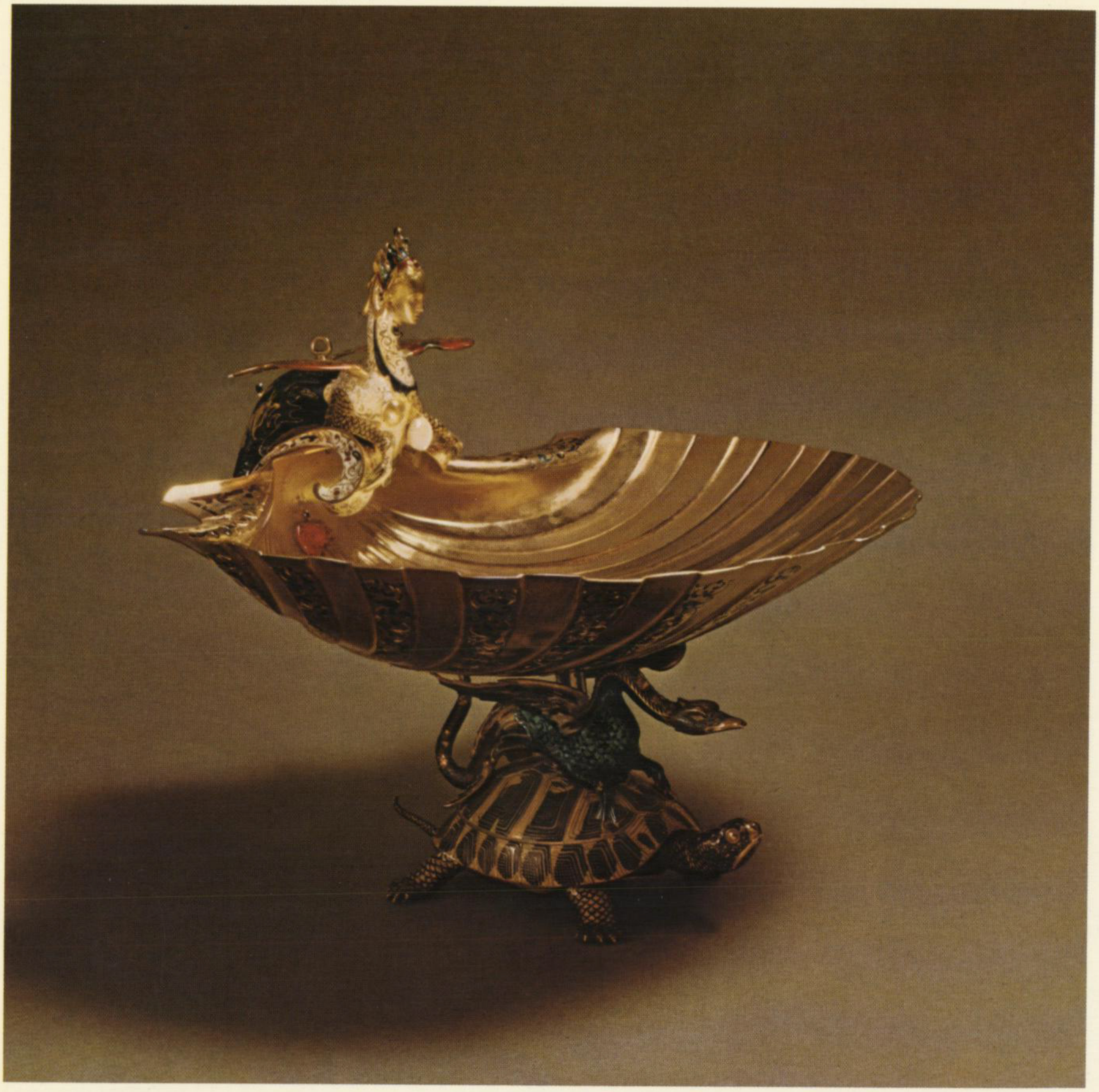
Notice of change of shareholder's address should be sent to one of the above transfer agents.

REGISTRARS

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
30 West Broadway, New York, N. Y. 10015

CROCKER-CITIZENS NATIONAL BANK
79 New Montgomery Street, San Francisco, Calif. 94105

HARRIS TRUST AND SAVINGS BANK
111 West Monroe Street, Chicago, Ill. 60690



Gold cup, Italian 16th Century by Benvenuto Cellini, is decorated with enamel and precious stones. The Metropolitan Museum of Art, N. Y. Bequest of Benjamin Altman 1913.

EMBLEM OF QUALITY

This illustration of the Cellini cup is taken from a series of Shell advertisements showing how the scallop, from which the Company's emblem is derived, has been used in art. Each advertisement relates the quality of the art to the significance of the shell as the emblem of a Company dedicated to excellence in products and in service.

SHELL